

BAY STATE GAS COMPANY  
ANALYSIS OF PRO FORMA ADJUSTMENTS  
(\$000)

Operating Revenue per Books	JES-1	\$ 510,457
Cost of Gas per Books	JES-1	323,864
Other O&M Expense per Books	JES-1	<u>99,007</u>
Operating Margin per Books		87,586
Basic Pro Forma Adjustments		
Weather Normalization	JAF 1-1	(2,556)
Other Base Revenue Adjustments	* AG-17-1	(54)
O&M Expenses	** JES-6	<u>(2,159)</u>
Calculated Pro Forma Operating Margin - Present Rates		<u>\$ 82,871</u>
Pro Forma Operating Margin - Present Rates, per Exhibit JES-1		
Operating Revenue	JES-1	\$ 481,909
Cost of Gas	JES-1	307,479
Other O&M Expense	JES-1	<u>99,045</u>
Pro Forma Operating Margin, per Company		<u>\$ 75,385</u>
Discrepancy		<u>\$ 7,486</u>

\* JES-6    -(38-(7106-9227))

\*\* AG-17-1    -405-87+438

BAY STATE GAS COMPANY  
ANALYSIS OF REVENUE DEFICIENCY  
(\$000)

Rate Base	JES-13	\$ 397,107
Common Equity Ratio	JES-12	<u>53.95%</u>
Common Equity Supporting Rate Base		214,239
 Earned Return on Equity - 2004	 DTE Return, R2	 10.54%
Requested Return on Equity	JES-12	<u>11.50%</u>
Requested Increase in Return on Equity		0.96%
 Increased Income Requirement		 2,057
Revenue Conversion Factor	JES-3	<u>1.6819</u>
Increased Revenue Requirement		<u>\$ 3,459</u>
 Weather Normalization	 JAF 1-1	 \$ 2,556
Other Base Revenue Adjustments	AG-17-1	54
Pro Forma Adjustments to O&M Expenses	JES-6, Page 1	2,159
Pro Forma Adjustment to Depreciation Expense	JES-7, Page 1	4,674
Lawrence Goodwill Amortization	JES-8, Page 2	(100)
MetScan Amortization	JES-8, Page 3	2,643
Pro Forma Adjustment to Taxes other than Income Taxes	JES-9, Page 1	<u>402</u>
Total		12,388
Effect on Income Requirement		7,529
Adjustment to Amortization of Deferred Tax Deficiency	JES-11	<u>90</u>
Total Effect on Income Requirement		7,619
Revenue Conversion Factor	JES-3	<u>1.6819</u>
Increased Revenue Requirement		<u>\$ 12,814</u>
 Capital Related Differences		
Interest net of Income Taxes	JES-11, Ret. R2	\$ 1,580
Equity Return Requirement vs. Balance Sheet Equity	JES-11, Ret. R2, JES-12	<u>(2,479)</u>
Effect on Income Requirement		(899)
Revenue Conversion Factor	JES-3	<u>1.6819</u>
Increased Revenue Requirement		<u>\$ (1,512)</u>
 Calculated Revenue Deficiency		 \$ 14,761
Requested Revenue Increase	JES-1	<u>22,238</u>
Discrepancy		<u>\$ 7,477</u>